

Message Text

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PAGE 01 BUCAR 01078 01 OF 02 210956Z
ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 PA-01 /120 W
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R 210612Z FEB 78
FM AMEMBASSY BUCHAREST
TO SECSTATE WASHDC 8005
INFO AMEMBASSY BERLIN
USMISSION BERLIN
AMEMBASSY BUDAPEST
AMEMBASSY MOSCOW
AMCONSUL MUNICH
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY WARSAW
USMISSION NATO

C O N F I D E N T I A L SECTION 1 OF 2 BUCHAREST 1078

E.O. 11652: GDS
TAGS: PL RO COMECON EINV ENRG UR
SUBJ: POLISH-ROMANIAN ECONOMIC RELATIONS: COAL AS PROBLEM AND
SOLUTION
REF: (A) BUCHAREST 832 (B) 77 BUCHAREST 8838 (NOTAL)

1. SUMMARY. POLISH DCM INFORMS THAT "ECONOMIC MANEUVER"
ANNOUNCED AT PZPR JANUARY PARTY CONFERENCE IS CREATING
SPECIFIC DIFFICULTIES IN POLISH-ROMANIAN TRADE, SINCE POLES
WILL NEITHER BUY MACHINERY NOR DELIVER COAL PREVIOUSLY SIGNED
FOR IN 1976-80 FIVE-YEAR TRADE AGREEMENT, AND BOTH SIDES
ARE SCRAMBLING FOR WAYS TO FILL GAP. ROMANIA IS LAST CEMA
PARTNER WITH WHOM 1978 BILATERAL PROTOCOL NOT SIGNED, AND
TRADE WILL BE BELOW FIVE-YEAR AGREED LEVELS IN 1978 AS WELL
AS 1977. SITUATION PARTICULARLY PAINFUL FOR ROMANIANS GIVEN
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PAGE 02 BUCAR 01078 01 OF 02 210956Z

SOVIET INABILITY TO FILL GAP IN COAL DELIVERIES. MOST-PRO-
MISING SHORT-TERM AVENUE OF RELIEF IS COOPERATION IN AUTOMOBILE
PRODUCTION. OVER LONG TERM, SOLUTION IS ROMANIAN PARTICIPATION
IN DEVELOPMENT OF LUBLIN COAL FIELDS, FOR COKE: ROMANIANS
ARE VERY INTERESTED, AND POLES ARE WILLING. BREAKDOWN IN
POLISH COAL DELIVERY SCHEDULE MAY EXPLAIN STRENGTH OF (UN-
SUCCESSFUL) ROMANIAN EFFORT TO GET MORE SOVIET COAL IN RECENTLY

CONCLUDED TRADE PROTOCOL NEGOTIATIONS (REF A). END SUMMARY

2. POLISH DCM HENSCHKE PROVIDED RUNDOWN FEBRUARY 17 ON CURRENT DIFFICULTIES IN POLISH-ROMANIAN TRADE RELATIONS, INCLUDING FURTHER DETAILS ON PROSPECTS FOR COOPERATION IN DEVELOPMENT OF NEW LUBLIN COAL AREA.

3. HENSCHKE, WHO ASKED THAT INFO BE TREATED CONFIDENTIALLY, SAID "ECONOMIC MANEUVER" ANNOUNCED AT PZPR PARTY CONFERENCE IN JANUARY WAS CAUSING MAJOR AND PAINFUL PROBLEMS IN BILATERAL ECONOMIC RELATIONS WITH ROMANIA. MANEUVER CALLS FOR CUTTING IMPORTS AND BOOSTING EXPORTS IN GENERAL, AND FOR CONCENTRATION OF DOMESTIC INVESTMENT IN FOODSTUFFS AND HOUSING IN PARTICULAR. TRADE WITH ROMANIA WAS SPECIFICALLY AFFECTED, SINCE POLES CANNOT AND WILL NOT TAKE ROMANIAN MACHINERY AND DELIVERY COAL AS PROVIDED IN 1976-80 FIVE-YEAR TRADE AGREEMENT. THEY MUST IN FACT RENEGE ON WHAT AMOUNT TO TREATY OBLIGATIONS. PROBLEMS COME ON TOP OF 1977 DECLINE IN BILATERAL TRADE TURN-OVER, "FOR WHICH BOTH SIDES RESPONSIBLE," AND RESULT WILL BE THAT BOTH 1977 AND 1978 WILL BE BELOW LEVELS AGREED IN FIVE-YEAR ACCORD. CUT IN COAL DELIVERIES IN PARTICULARLY PAINFUL FOR ROMANIANS GIVEN FACT THAT USSR UNABLE TO BOOST DELIVERIES IN COMPENSATION. POLAND WILL DELIVER SOME COAL THIS YEAR; HOW MUCH IS UNKNOWN, "PERHAPS HALF."

4. POLAND DOES NOT HAVE SAME PROBLEMS WITH USSR, HUNGARY
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PAGE 03 BUCAR 01078 01 OF 02 210956Z

OR CZECHOSLOVAKIA, HENSCHKE SAID, SINCE STRUCTURE OF TRADE IS DIFFERENT, AND PROBLEMS WITH GDR HAVE BEEN OVERCOME. THUS

ROMANIA REMAINS ONLY CEMA PARTNER WITH WHOM 1978 BILATERAL PROTOCOL NOT SIGNED, AND IT IS ALREADY FEBRUARY. NEVERTHELESS, BOTH SIDES ARE SHOWING GREAT GOODWILL IN DIFFICULT SITUATION; DELEGATIONS SEEKING WAYS TO FILL GAPS SUCCEED EACH OTHER AT RAPID PACE; DEPUTY FOREIGN TRADE MINISTER NESTOROWICZ WILL ARRIVE NEXT WEEK; AND PROTOCOL WILL BE SIGNED.

5. POLAND HAS NO NEED FOR LIGHT INDUSTRY PRODUCTS ROMANIANS HAVE BEEN OFFERING TO FILL MACHINERY GAP, SO IT WILL BE FILLED PARTLY BY FOODSTUFFS. MOST PROMISING AREA, JUST DISCOVERED DURING CURRENT VISIT OF MACHINERY MINISTRY DELEGATION, IS COOPERATION IN AUTOMOBILE MANUFACTURE, SINCE ROMANIAN DACIAS ARE MEDIUM-SIZED CAR BETWEEN SMALL AND LARGE POLISH FIATS AND THERE IS A REAL INTEREST IN POLISH SIDE IN BUYING AND ON ROMANIAN SIDE IN SELLING.

6. OVER LONG TERM, HENSCHKE SAID, PROSPECTS ARE BETTER, EVEN BRIGHT, BECAUSE OF LUBLIN COAL FIELD DISCOVERIES. POLISH GEOLOGISTS KNOW THAT BLACK COAL IN MAMMOTH FIELD CENTERED ON

LACZNA SOUTH OF LUBLIN BURNS 6,800 KILOCALORIES/KG. AND HAS
PROVEN HOLDINGS OF 42 BILLION TONS, I.E. BIGGER THAN SILESIA.

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PAGE 01 BUCAR 01078 02 OF 02 211137Z
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C O N F I D E N T I A L SECTION 2 OF 2 BUCHAREST 1078

QUALITY OF COAL IDENTIFIED SO FAR IS SO HIGH THEY KNOW COKING
COAL MUST BE THERE, ALTHOUGH IT HAS NOT YET BEEN "DOCUMENTED,"
MUCH LESS EXPLOITED. ONCE FIELD IS IN PRODUCTION, HOWEVER,
EACH OF SEVEN LOCALITIES WILL DELIVER 3-3.6 MILLION TONS PER
YEAR, AND AT FULL PRODUCTION AT LEAST 24 MILLION TONS ANNUALLY
TOGETHER, I.E. TWICE CURRENT NATIONAL PRODUCTION OF 12 MILLION
TONS. ROMANIANS ARE EXTREMELY INTERESTED IN COOPERATION, MAINLY
FOR COKE, HENSCHKE SAID, AND POLES ARE WILLING. SPECIFIC
ARRANGEMENT REMAINED TO BE WORKED OUT, BUT IT WOULD PROBABLY
BE GUARANTEED ANNUAL DELIVERIES IN RETURN FOR INITIAL INVEST-
MENT (NOTE: SIMILAR TO OUR ISLAND CREEK ARRANGEMENT).

7. COMMENT. HENSCHKE'S INFORMATION ON POLAND'S INABILITY
OR UNWILLINGNESS TO PROVIDE COAL TO ROMANIA IN 1978 PER
1976-1980 PROTOCOL IF CORRECT MAY MEAN THAT GOR FACING PENDING
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PAGE 02 BUCAR 01078 02 OF 02 211137Z

COAL CRISIS, ESPECIALLY AS IT COMES AT TIME WHEN ROMANIAN
COAL PRODUCTION IS PERFORMING POORLY. AS REPORTED IN BUCHAREST
908, COAL PRODUCTION IN 1977 OF 26.8 MILLION M.T. WAS FAR SHY
OF PLAN TARGET OF 33.5 MILLION M.T. ADDITIONALLY, ACCORDING
TO LOCAL JIU VALLEY NEWSPAPER REPORTS, COAL PRODUCTION IN
THIS KEY AREA IN JANUARY AND FEBRUARY IS STILL SUFFERING BE-
CAUSE OF ABSENTEEISM, LOW WORKER PRODUCTIVITY AND POOR WORK
DISCIPLINE. MEANWHILE, SOVIETS HAVE (IF OUR SOVIET COLLEAGUES
CAN BE BELIEVED) REPULSED ROMANIAN EFFORTS TO BUY MORE
SOVIET COAL. THIS MAY HELP EXPLAIN RECENT ROMANIAN PURCHASE
OF 1 MILLION M.T. OF U.S. COAL AND ALLEGED ROMANIAN FEELERS
TO INDIA FOR COAL.
AGGREY

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